

Initiatives for an Increase in Sustainable Corporate Value

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Action to Implement Management that is Conscious of Cost of Capital and Stock Price

Recognition of current status and issues

- The company recognizes **that the cost of shareholders' equity** represents **6% to 8%**.
- **ROE** was above the cost of shareholders' equity at 9.2% for FY 2021 while being significantly below the cost of shareholders' equity at 2.0% for FY 2022 and **3.6% for FY 2023**.
- PBR now remains low at around 0.5.
- The company recognizes that the challenge is to do the speedy recovery in ROE, to realize a stable level above the cost of shareholders' equity, and to do the improvement in equity spread through a reduction in the cost of shareholders' equity.

Policy

The company will realize the ideal for 2030 and increase in sustainable corporate value.

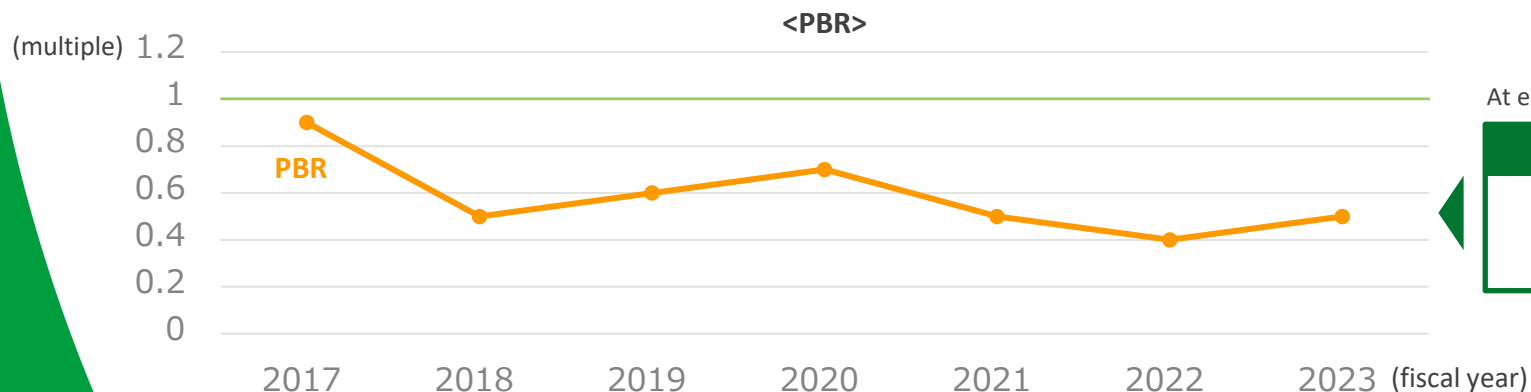
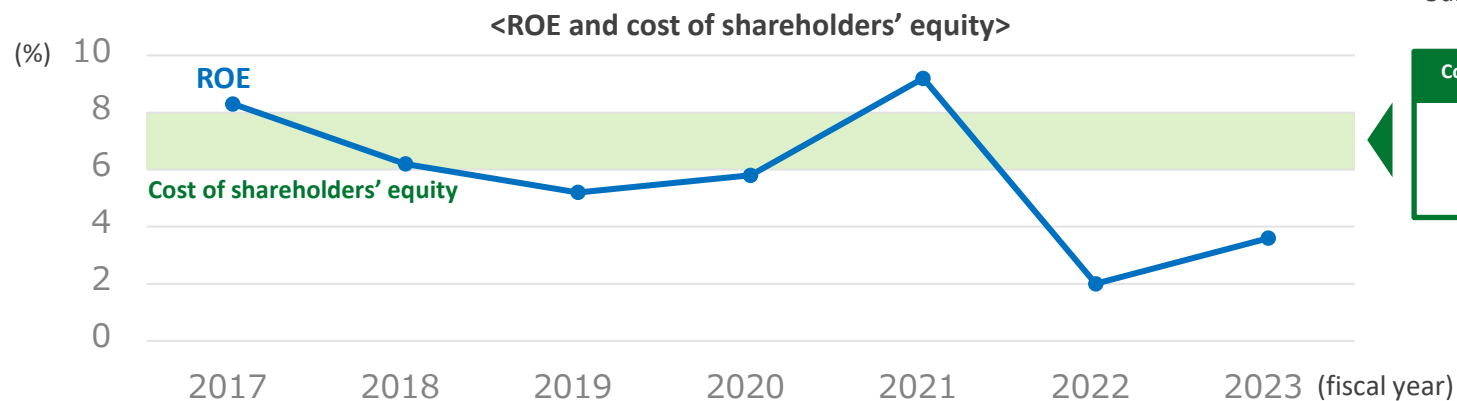
- Targets for FY 2030: operating profit 6 billion yen, ROE 8%
- Targets in Medium-term business plan : operating profit 3.3 billion yen, ROE 6%

initiatives

- Increase in ROE: Execution of Medium-term business plan (three measures) and implementation of capital policy
→ ROE Targets: **5% for FY 2024, 6% for FY 2026, 8% for FY 2030**
- Reduction in cost of shareholders' equity: Promotion of nonfinancial measures

Recognition of Current Status and Issues

- The company recognizes that cost of shareholders equity represents 6-8%.
- ROE has remained low since FY 2022. The challenge is to improve equity spread.
- PBR remains low at around 0.5.



Initiatives for an Increase in Sustainable Corporate Value

Improvement in equity spread through increase in ROE and reduction in the cost of shareholders' equity

Increase in corporate value and PBR

Improvement in equity spread

Increase in ROE



Increase in return

Control of equity

Execution of Medium-Term Business Plan (three measures)

- Business expansion and strengthening the business structure
- Promotion of globalization
- New value creation

Implementation of capital policy

- Efficiency of funds flow
- Securing of financial health
- Improvement in return to shareholders

Reduction in cost of shareholders' equity



Promotion of nonfinancial measures

Promotion of the sustainability management

- facilitate environmental responses (TCFD, CDP, etc.)
- Development of human resources

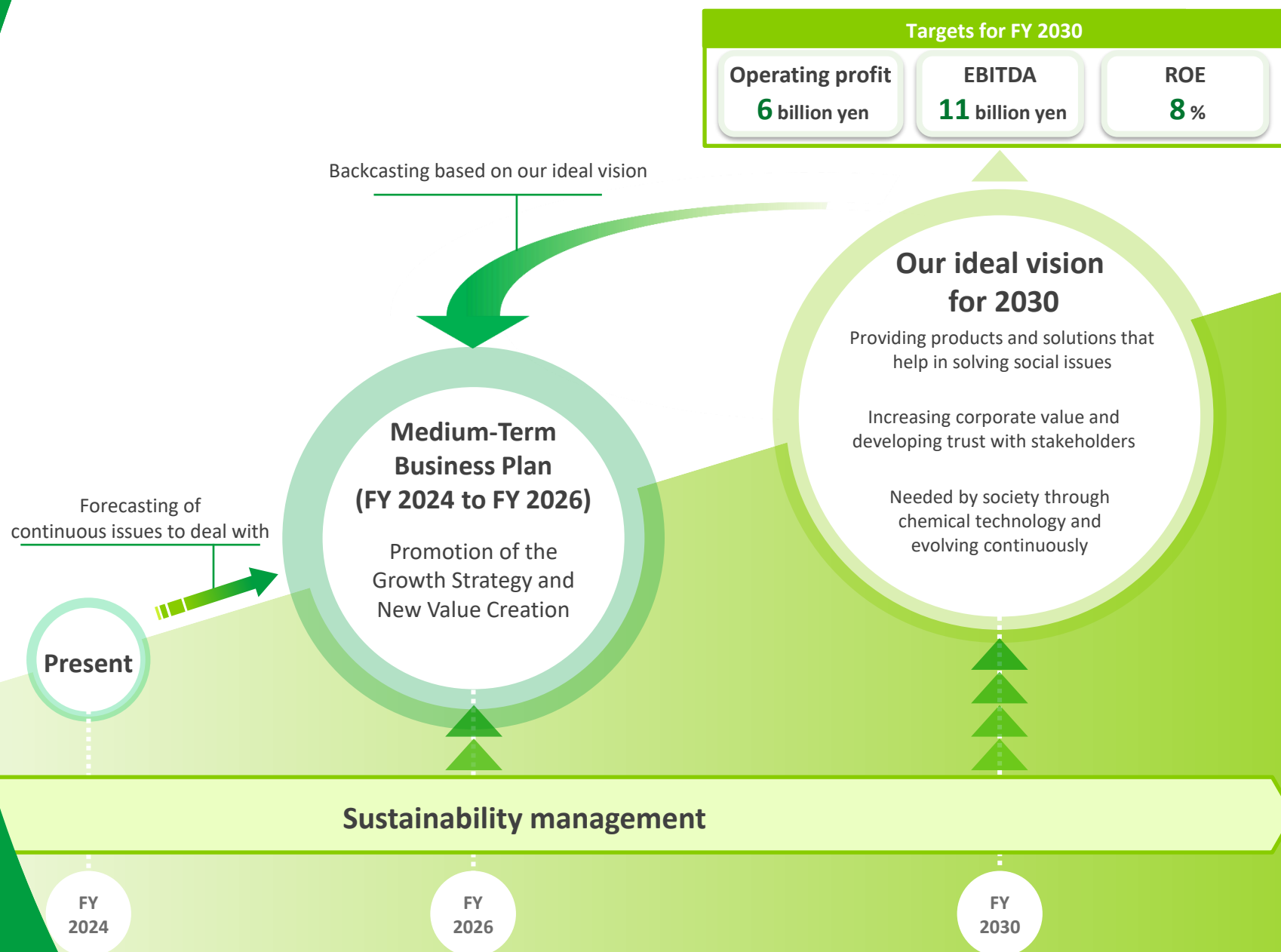
Strengthening corporate governance

- Strengthening of Nomination and Remuneration Committee
- Securing of diversity of the Board of Directors
- Introduction of stock-based remuneration
- Evaluation of the effectiveness of the Board of Directors

Strengthening IR and SR activities

- Extension of information disclosure
- Issuance of integrated report
- Extension of English disclosure

Positioning of Medium-Term Business Plan



Policies and Priority Measures in Medium-Term Business Plan

Policy for medium-term business plan

Promotion of the Growth Strategy and New Value Creation

Three measures based on the sustainability management

**Measure (i) Business expansion and
strengthening the business
structure**

Measure (ii) Promotion of globalization

Measure (iii) New value creation

**Promotion of the
Sustainability Management**

- Expand the business in growth fields
- Strengthen the business structure of basic fields
- Pursue deepening and succession of production technology

- Increase overseas net sales
- Strengthen overseas organizations
- Pursue new opportunities

- Promote development of products with competitive advantage
- Achieve early research results

- Effectively allocate managerial resources
- Strengthen supply-chain management
- Improve employee satisfaction
- Strengthen and complete corporate governance and compliance
- Facilitate environmental responses
- Promote contribution to local communities and society

**FY
2030**

**FY
2026**

**FY
2024**

Numerical Targets

Final fiscal year in Medium-term business plan

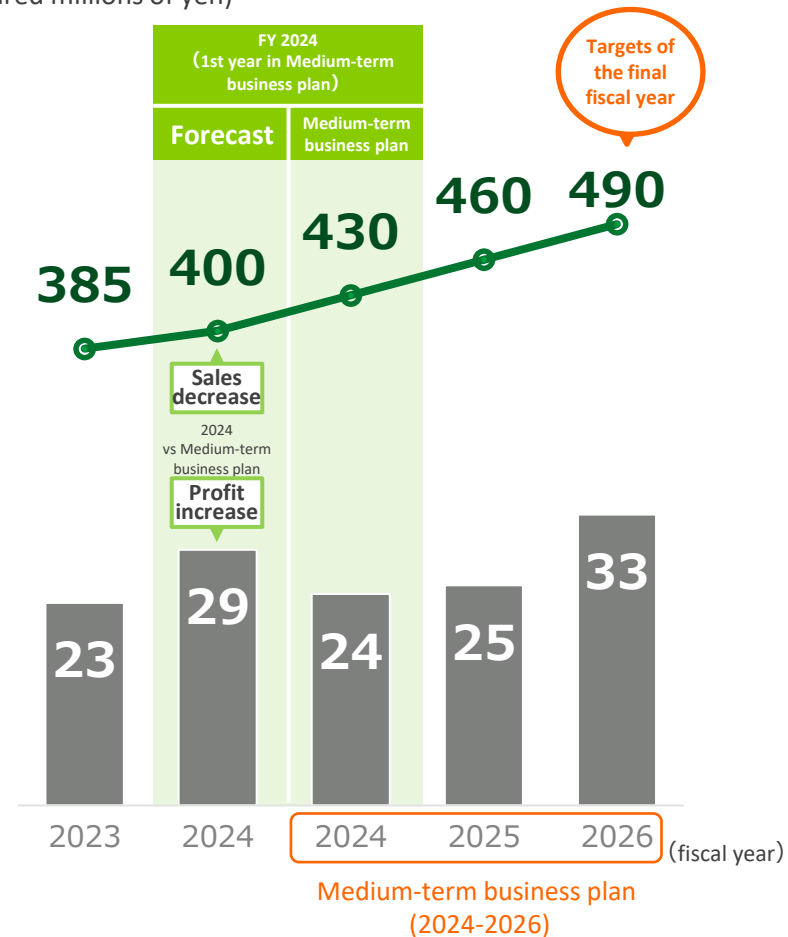
Targets for FY 2026

Net sales	49 billion yen
Operating profit	3.3 billion yen
EBITDA ^{*1}	8 billion yen
ROE ^{*2}	6 %
Net sales in growth fields	20 billion yen
Overseas net sales	7 billion yen
Capital investment (cumulative total for three years)	20 billion yen
Payout ratio	Around 30 %
Ratio of cross-shareholdings to net assets	15 % or less

^{*1} Brief version of EBITDA (operating profit + depreciation) is used

^{*2} ROE = Net income / Average shareholders' equity

■ Net sales
■ Operating profit
(hundred millions of yen)



Measure (i) Business Expansion and Strengthening Business Structure

Focus on strengthening and expansion of earning capacity

Expand the Business in Growth Fields

- Obtain business opportunities by continuously making strategic investments in electronic ceramic materials
- Realize business expansion by pursuing efficient and stable production of organic electronic materials


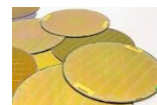


Strengthen the Business Structure of Basic Fields

- Expand the lineup of differentiated products satisfying the diversifying customer needs
- Implement measures to increase profitability of low profitable products and businesses




Pursue Deepening and Succession of Production Technology

- Clarify core technologies and implement succession of production technologies and expertise
- Increase profitability and safety by making production efficient and stable

<Products in growth fields and their major uses>

Electronic Ceramic Materials	Dielectrics for MLCC and dielectric materials (Barium titanate / High-purity barium carbonate)	
High-Purity Electronic Materials	Semiconductor materials and organic electronic materials (High-purity phosphine gas / High-purity red Phosphorus, etc.)	
Phosphoric Acid for LCDs and Semiconductors	Etching agents (Phosphoric acid)	
Phosphorus Materials for Quantum Dot	Materials for Quantum Dot display (Phosphine derivatives including TMSP)	

<Products in basic fields and their major uses>

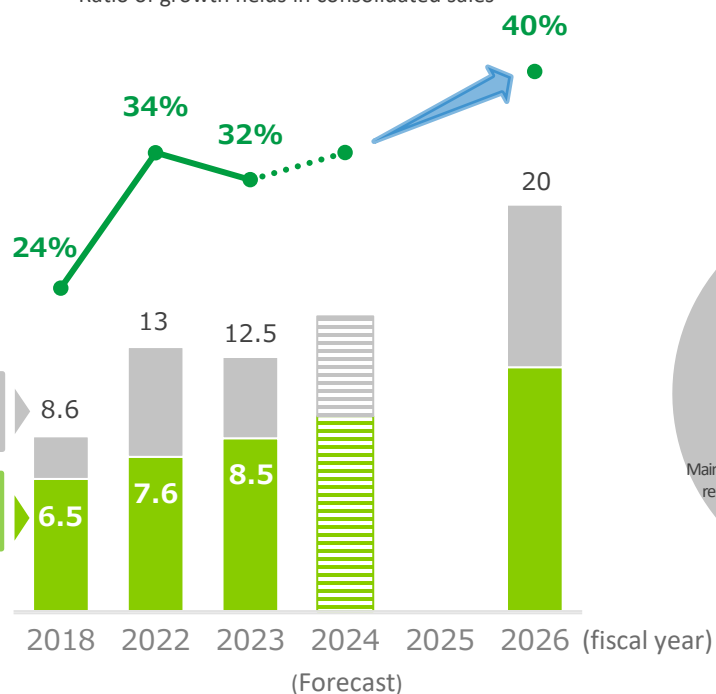
Chromium Compounds	Hard chromium plating (automobiles) Refractory bricks (metallurgical furnace) Electromagnetic steel sheet plating (electronic vehicles)	
Silicates and Silica	Deinking of used papers (paper manufacturing) Soil hardening agent (construction)	
Inorganic Phosphorus Compounds	Food additives Optical glass materials	

Growth Fields

Increase net sales in growth fields to more than 20 billion yen

<Ratio of growth fields in net sales>

- Total (billion yen)
- Growth fields (billion yen)
- Ratio of growth fields in consolidated sales

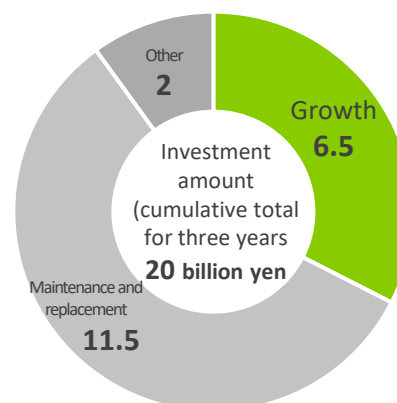


Targets of products in growth fields for FY 2026

Growth fields
net sales
20 billion yen

Growth fields
sales ratio
40%

<Capital investments, etc.>



Growth investment

Investment in a medium- to long-term perspective leading to an increase in corporate value

- For electronic ceramic materials
- Phosphine derivatives
- For semiconductors, and others

Measure (ii) Promotion of globalization

Expand the business leveraging strength

Increase overseas net sales

- Expand overseas with products satisfying local needs

Strengthen overseas organizations

- Increase the organizational strength to improve overseas presence
 - ※Establishment of overseas subsidiary in R.O.C (Taiwan) (scheduled)

Overview of Overseas Subsidiary

◆ Company name	Taiwan Nippon Chemical Industrial Co., Ltd.
◆ Location	Taichung City
◆ Date of establishment	June 2024 (scheduled)
◆ Business	Sales of industrial and specialty chemicals
◆ Amount of capital	NTD 27,000,000

Pursue new opportunities

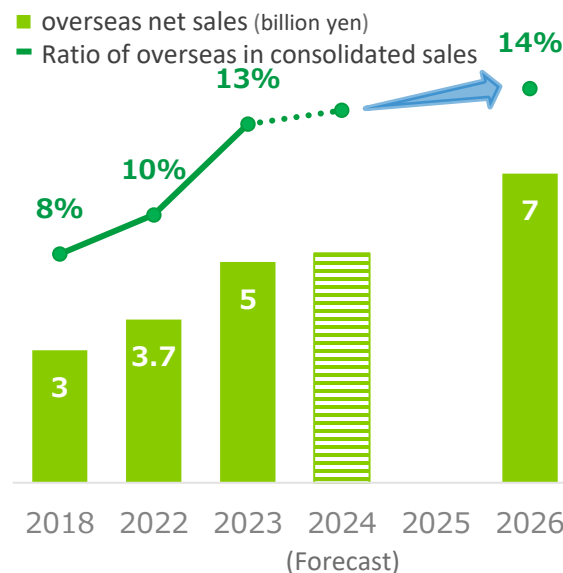
- Pursue and develop new business model through deepened cooperation between overseas bases

Targets of overseas net sales for FY 2026

Overseas
net sales
7 billion yen

Overseas
sales ratio
14%

< Ratio of overseas in net sales >



Measure (iii) New value creation

Create new value through highly efficient R&D

Promote development of products with competitive advantage

- Promote commercialization of high value-added products using core technology

Achieve early research results

- Response to increasingly diverse and sophisticated social issues through the effective use of external resources
- Promote the development of new products and process responding to carbon neutral and growth fields

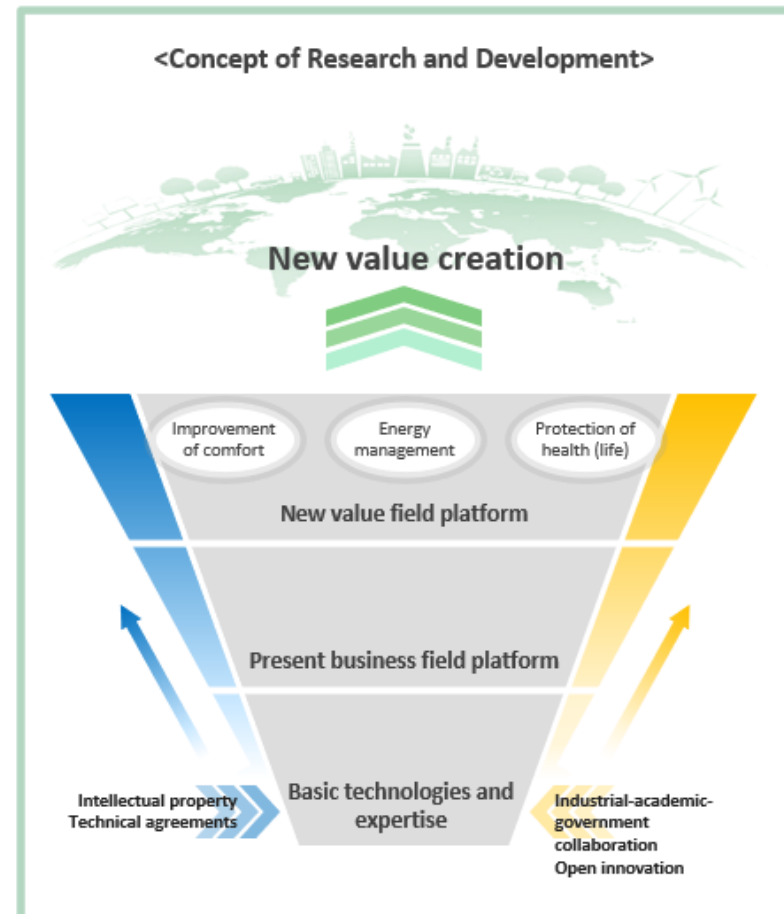
Targets of R&D expenses for FY 2026

R&D expenses

1.8 billion yen

Ratio of R&D expenses to net sales

4%

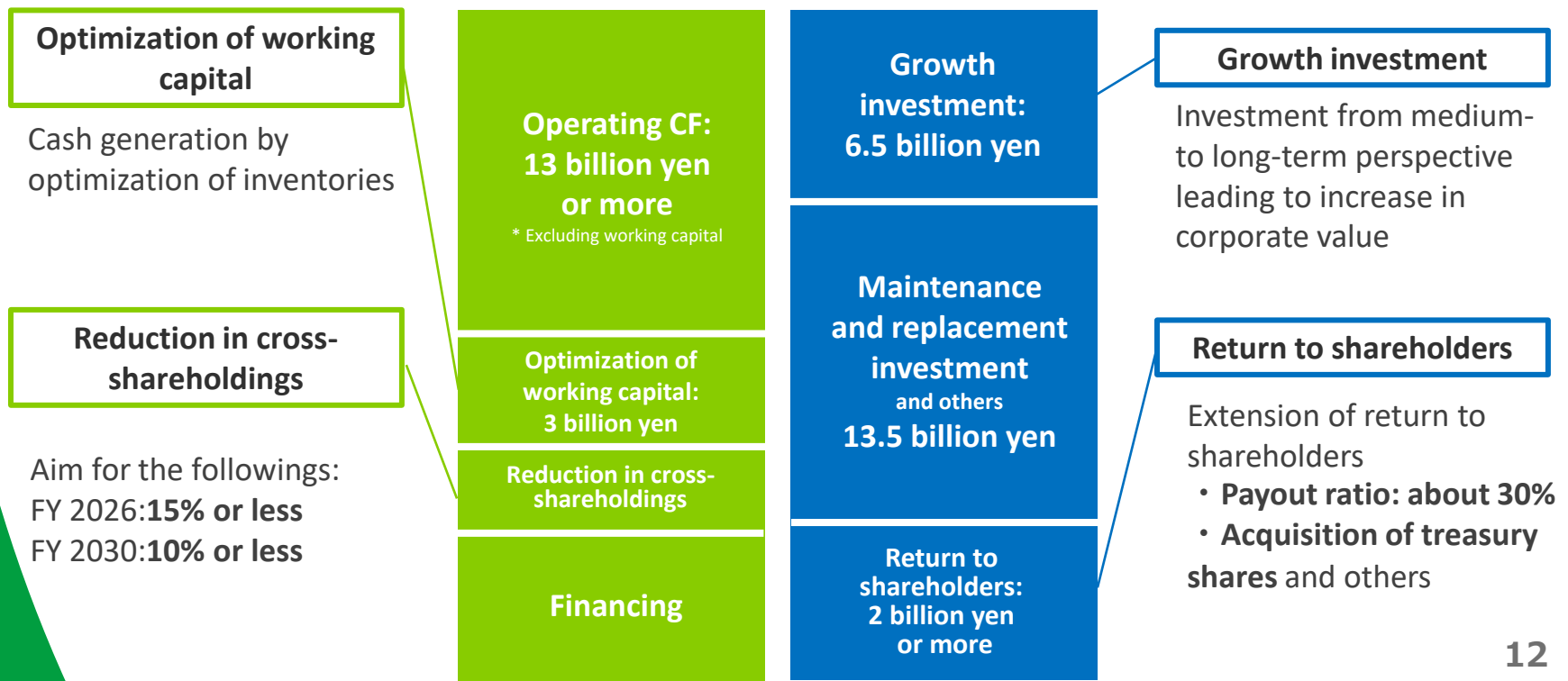


Cash Allocation

Effectively allocate of managerial resources

The company will allocate cash generated by expansion of growth fields, optimization of inventories, and reduction in shares held for strategic purposes to growth fields, management foundation, and return to shareholders

<Cash allocation for three years of Medium-term business plan (diagram)>



Capital Policy

Effectively allocate of managerial resources and improvement in return to shareholders

Reduction in cross-shareholdings

- Targets for the ratio of cross-shareholdings to net assets
FY 2026:15% or less
FY 2030:10% or less

Efficiency of funds flow

- Efficiency of funds flow through maintenance of inventory turnover period of 3.0 to 3.5 months

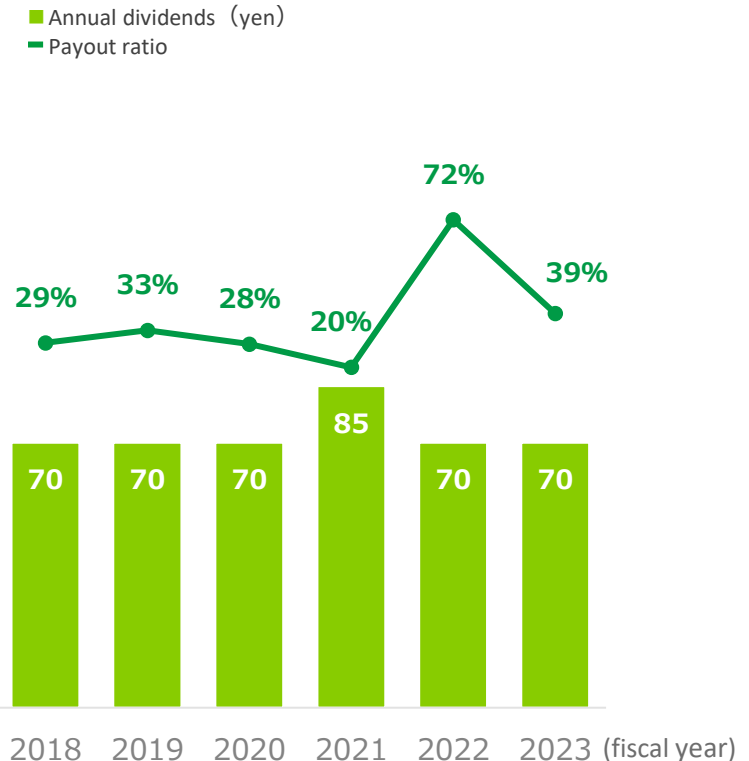
Securing of financial health

- Securing of financial health through maintenance of D/E ratio of 0.4 times

Improvement in return to shareholders

- Extension of sustainable shareholder return measures in the medium- to long-term
 - Payout ratio Around 30 %
 - Acquisition of treasury shares and others

<Changes in dividends per share>



Promotion of the Sustainability Management

Aim for realization of sustainable society

Facilitate environmental responses

■ TCFD (October 2022 -)

The company strengthened initiatives for Climate Change and set long-term targets of Scopes 1 and 2.

■ CDP

The company responded to CDP 2023 Climate Change Questionnaire as external evaluation of ESG and received “B” score for Climate Change, and aims for higher score.

■ Environmental contribution products

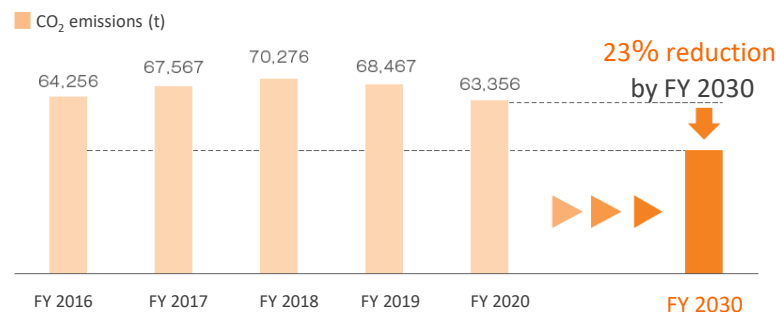
The company established a system for certifying products contributing to solution of environmental issues as *environmental contribution products* and aims for increasing the ratio of environmental contribution products in net sales.

Development of human resources

- Development of human resources using coaching
- Extension of the system for encouraging the growth
- Promotion of success of female employees



<CO₂ emissions (t)>



Scope of data collection: Nippon Chemical Industrial Group

Strengthening Corporate Governance and Strengthening IR and SR activities

Extension of disclosure of nonfinancial information for reduction in cost of shareholders' equity

Strengthening corporate governance

- Strengthening of the effectiveness of Nomination and Remuneration Committee
- Securing of diversity of the Board of Directors
- Introduction of transfer-restricted shares remuneration
- Execution of effectiveness evaluation of the Board of Directors

Strengthening IR and SR activities

- Extension of information disclosure
- Issuance of integrated report (scheduled to be issued in 2024)
- Extension of English disclosure

<Transition to integrated report>



Initiatives for strengthening corporate governance

Strengthening of the effectiveness of Nomination and Remuneration Committee

- Chairperson: Selected from among members who are independent Outside Directors
- Activities (examples)
 - Selection of Directors and Executive Officers
 - Selection of Representative Directors
 - Policy and procedure for determining the remuneration of Directors and Executive Officers

Securing of diversity of the Board of Directors

- Selection of female Directors
- Three Outside Directors
(Ratio of Outside Directors to all Directors: 50%)

Introduction of transfer-restricted shares remuneration

- Applicable persons: 2 Directors, 16 Executive Officers and administration officers
- Transfer period: until resigns

Execution of effectiveness evaluation of the Board of Directors

- Deepening of issues and measures based on results of the evaluation
- Recognition of the necessity to prepare and execute systematic training programs for Directors and executive officers
→Preparation and execution of the training program plan



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